

Executive Summary

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Review of Prepaid Wireless Service Subscribership and Demographics

Over the past decade or so, there has been a veritable explosion in the kinds of communications devices available to the public. These devices started out as simple cell phones, designed to replace traditional landline based telephones. The devices have become increasingly complex as well as increasingly pervasive with smart phones, tablets and e-readers replacing, for many, phones, laptops, cameras and even desktops and books. The demographics associated with

Some key findings:

- There are more mobile subscriptions in the U.S. (\$331.6M in 2011¹) than people (311.6M total population with 245.5M population over age 16 in 2011²).
- Mobile service in the U.S. has traditionally been offered under a service contract which, in turn, required credit history and buyers to be at least 18 years old.
- Prepaid service has no-contract and reduced requirements. Pre-paid wireless service is by far the dominant service plan in the rest of the world and it is growing substantially in the U.S. There were over 100M prepaid subscriptions in the U.S. as of 2Q2012.
- The demographics of wire-less only households show a number of interesting trends including the following^{3, 4}:
 - Inverse relationship with income: While 47 percent of adults living in households with income below the poverty line had wireless phone access only in 2011, that was true of 38 percent in households with income from 100 percent to 200 percent of the poverty threshold, and of 28 percent above the 200 percent level.
 - Inverse relationship with educational attainment: Adults with 4 years or more of college are less likely to live in households with only wireless connections than adults with less education.
 - Racially the highest group is Hispanic: In 2011, 41% of Hispanic adults lived in wireless only households, compared to 33% of non-Hispanic blacks and 28% of non-Hispanic whites and Asians.
 - Younger: In the first half of 2011, nearly 60 percent of adults 25 to 29 years old lived in wireless only households. That was true of only 22 percent of 45 to 64 year olds and only 8 of people 65 and over.

¹ Lee Rainie, The State of Mobile Connectivity, Pew Research Center, August 15, 2012 slide 5.

² Bureau of Economic Analysis, Regional Economic Information System, August 2012.

³ www.cdc.gov/hchs/data/nhis.

⁴ The reason behind the surveys is that the NCHS needs to understand how to get in touch with a representative sample of the population in order to conduct its health related surveys. It can no longer do so using only landline telephones.

- Geographically the Northeast lags: In 2011, 33 percent of adults in the South and the Midwest lived in wireless only households. That proportion fell to 31 percent in the West and to 19% in the Northeast. According to the CDC, along with these regional differences there are great variations among states within these regions and between metropolitan areas.
- For the state of New Jersey, the CDC data subdivides state data into Essex County and the rest of the state. The percentage of wireless only households is more than twice as high in Essex County (about 26%) compared to the rest of the state (about 12%). This finding tracks with poverty statistics as the poverty rate is higher in Essex County than in the rest of the state.
- Pre-paid wireless providers in the U.S. include Virgin Mobile, Cricket, AT&T, T-Mobile, Verizon, TracFone/StraightTalk, Net 10, and MetroPCS and we reviewed the coverage maps, service plans, costs, customer satisfaction ratings (via Consumer Reports) and customer churn statistics associated with these providers.
- Prepaid plans for smart phones with support for internet access vary roughly from a low of \$25-\$35/month with lower limits on voice minutes and data to \$50 and up for unlimited plans.
- At the very low end of the market are free plans offered under the aegis of the Federal Communications Commission LifeLine program. “The FCC’s Low Income Program of the Universal Service Fund, which is administered by the Universal Service Administrative Company (USAC), is designed to ensure that quality telecommunications services are available to low-income customers at just, reasonable, and affordable rates. Lifeline support reduces eligible low-income consumers’ monthly charges for basic telephone service.”⁵ According to SafeLink’s web site, in 2009 there were 1,700 companies offering plans to over 2 million customers in 36 states under SafeLink. TracFone Wireless is one of the largest providers of Lifeline services in the United States, second only to AT&T.

⁵ www.safelinkwireless.com/Safelink/program_info/benefits